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DATE: March 17, 2022

TO: Mr. Keith Butcher, General Manager
Ms. Kathy Ohman, Secretary
Princeton Public Utilities

RE: Review of Debt Service Reserve Requirement

Following is a review of the debt service reserve fund (DSRF) requirements relating to the Princeton Public Utility Commission's (PUC) existing bonds. The PUC's existing bonds are as follows:

1. \$3,555,000 MCMU Revenue Bond of 2006. Principal balance as of 3/1/22 = \$885,000. Callable in whole on any date (plus breakage fee). Final payment due 12/1/25.
2. \$3,040,000 Public Utility Revenue Refunding Bonds, Series 2010A. Principal balance as of 3/1/22 = \$190,000. Callable on any date. Final payment due 4/1/22.
3. \$2,450,000 Public Utility Revenue Refunding Bonds, Series 2012A. Principal balance as of 3/1/22 = \$700,000. Callable on any date. Final payment due 4/1/24.

Debt Service Reserve Fund

As of March 1, 2022 the DSRF balance on the 2006 MCMU Bond is \$248,313 and the DSRF balance on the 2010A and 2012A Bonds is \$805,214. The total balance is approximately \$1,053,527. Based on a review of bond documents, the DSRF's were funded by bond proceeds.

Recommendation

Following the April 1, 2022 bond payments, the 2010A Bonds will be paid off and the 2012 Bond principal balance will be \$475,000. We recommend that the PUC approve a resolution to call (pay off) the remaining principal balance on the 2012 Revenue Bonds. The total amount to pay off the 2012 Bonds on May 1, 2022 is \$476,088.96 (this includes \$1,088.96 in accrued interest). The funds to pay off the 2012 Bonds would come from the DSRF investment account. The approximate remaining combined DSRF balance following paying off the 2012 Bonds would be \$577,438.

My second recommendation is that the PUC consider paying off the 2006 MCMU Revenue Bond on June 1, 2023. The approximate principal balance on the 2006 MCMU Bond on June 1, 2023 should be \$575,000. MCMU will charge a breakage fee that may range from \$20,000 to \$47,000 depending on market conditions. The funds used to pay off 2006 Bonds would be from the remaining DSRF balance (approximately \$577,437) and other PUC funds.

Thank you.